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## ENHANCING U.S. SECURITY THROUGH FOREIGN AID

Can U.S. foreign aid influence international affairs enough to reduce the likelihood of war? In its study *Enhancing U.S. Security Through Foreign Aid*, the Congressional Budget Office (CBO) examines one dimension of this question. In particular, it asks which increases in the U.S. foreign assistance budget--if combined with similar steps by other countries--might promote U.S. security interests by fostering stability abroad.

Despite popular perceptions to the contrary, foreign aid is a small fraction of the U.S. budget. Even by the broad definition used in this study--which includes funds for U.N. peacekeeping, demilitarization in the former Soviet republics, foreign arms sales, and more traditional development programs--aid represents only slightly more than a penny of every federal dollar. Measured against the size of the U.S. economy, current U.S. foreign assistance efforts are considerably less than their past levels and the aid budgets of other Western countries. Yet, under the Clinton Administration's five-year budget plan, foreign aid is expected to decline further.

If all of the options discussed in this study were adopted, the U.S. foreign aid budget would increase from today's level of about \$18 billion to as much as \$30 billion a year. Given constraints on federal discretionary spending and the political resistance to tax increases, any such increase in foreign aid is assumed to be balanced by reduced expenditures for defense.

The case for a major new aid initiative is strong. Future threats to U.S. security seem most likely to emerge from unsettled parts of the developing world, or from instability in the nuclear-armed former Soviet Union. If foreign aid can ease the problems of some of those countries--which may include economic malaise, political tension, excessive weaponry, and rapid population growth--it may help check extremism, terrorism, major conflict, and proliferation.

However, any such initiative could carry significant disadvantages and risks as well. In the extreme, aid can allow postponement of needed economic reforms and prolong the tenure of unsuccessful political leaders. Perhaps more common, even where usefully spent, its importance generally cannot rival that of sound macroeconomic policies in developing countries. Western countries probably influence developing countries more with their markets, private capital, and new technologies than with their foreign aid. Moreover, in this analysis new aid initiatives are assumed to be financed by further cuts in the defense budget. But the defense budget is already expected to be one-third less at the end of the decade than it was in 1990 (as measured in constant dollars). If further cuts weakened deterrence, U.S. security interests could suffer even if aid produced results.

Questions about the study should be directed to Michael O'Hanlon of CBO's National Security Division at (202) 226-2900. The Office of Intergovernmental Relations is CBO's Congressional liaison office and can be reached at 226-2600. For additional copies of the study, please call the Publications Office at 226-2809.



CONGRESSIONAL  
BUDGET OFFICE

Second and D Streets, S.W.

Washington, D.C. 20515